



KING COUNTY AUDITOR'S OFFICE

New Construction Assessments

This audit evaluated the effectiveness of new construction assessments, including the processes used by the King County Assessor's Office, the office's compliance with applicable state laws, and the budget office's forecasting of new construction assessment values. While we found the Assessor's Office in overall compliance with relevant laws related to new construction assessments, we identified some processes that could be strengthened and streamlined. The audit recommends continued efforts to improve the process for the submission of building permit data to the Assessor's Office. We also recommend that the Assessor's Office bolster its tracking and communication of performance results.

Annual forecasts of the value of new construction assessments by the Executive's Office of Management and Budget (OMB) are accurate. However, we believe that the process would benefit from more transparency and the exchange of information with the Assessor's Office.

Audit Scope and Objectives

The primary objective of the audit was to evaluate the processes for assessing new construction real property values within King County. New construction assessment revenue has become increasingly important because of its magnitude and its ability to add new revenue to the county treasury. As part of the audit, we surveyed the procedures used by the King County Department of Development and Environmental Services and 39 municipalities for issuing building permits and the impact of this activity on the Assessor's Office. We identified key statutory requirements, including mandated timelines, and determined whether the Assessor's Office was meeting those requirements. We also analyzed the Assessor's Office practices in the areas of new construction assessment productivity and performance measurement. Finally, we reviewed the approach used to forecast the value of new construction assessments for budgeting purposes.

Operational Improvements

We found the Assessor's Office in overall compliance with laws related to new construction assessments. However, we found several processes that could be strengthened. The Assessor's Office currently receives only hardcopy permit data, which fails to take advantage of readily available electronic submittal technology. In addition, the Assessor's Office has not enforced criteria for permit data submission, so permitting agencies were not sending the same set of data, and they were not able to provide adequate quality control over the data they transmitted. Although the Assessor's Office reportedly tracks key performance data for new construction assessments, the office does not currently report those performance measures or targets in their annual business plan. Finally, the audit determined that the Assessor's Office should include performance measures for new construction assessments in its annual business plan.

Forecasting New Construction Assessments

OMB forecasts new construction assessment values using an econometric model that takes into account variables in the county construction industry. We examined OMB's model, and compared its accuracy to the accuracy of two other prevailing approaches to forecasting new construction assessment values. We found that OMB's model was more accurate than other approaches. However, the econometric model is complicated, and it is written in a computer program that is not accessible to outside users, which has led to some distrust of the model and its output.

Recommendations

We found several areas where the Assessor's Office could improve processes and performance reporting for new construction assessments. We recommend that the King County Assessor's Office:

1. Continue its efforts to transition to a predominantly electronic building permit submission system and simplify permit submission criteria.
2. Work with the permitting agencies to build quality control features into its electronic permit submission system to ensure data reliability.
3. Include in its 2007 business plan aggregate efficiency and effectiveness performance measures and targets for meeting its goals for new construction assessments.

In addition we recommend that the OMB:

4. Work collaboratively with the Assessor's Office to prepare new construction revenue estimates for budgeting purposes.

Agency Responses

Our recommendations were accepted by the agencies to which they were directed. The County Assessor concurred with the Recommendations 1-3; the County Executive concurred with Recommendation 4.